



Policies for business in the Mediterranean Countries

Slovenia



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Slovenian enterprise in “the Enlargement perspective”

Introduction

Nowadays there is general agreement that Slovenia is a stable democracy with an open economy based on competitive markets.

The loss of the former Yugoslav market, together with the EU accession process, has spurred the opening of the Slovenian economy to external competition, which is the necessary condition for the prosperity and survival of a small economy, critically dependent on foreign trade.

For both domestic and external reasons, the accession process to the EU (as well as its definite accession) has been contributing well to integration into the global economy. Domestically, the accession process has provided clear guidance to Slovenia’s institutional transformation and liberalization of trade. Externally, the EU accession process has offered both political and economic opportunities; it has offered preferential access to EU markets as well as significant technical assistance under the Community’s programs (PHARE).

Several weaknesses and permanent setbacks have required some economic reforms aimed at bolstering competitiveness and a sustainable economic growth.

The objective of this work is to analyze some of the structural reforms as defined in the Strategy for Economic Development of Slovenia (SEDS 2001-2006) - set out in the Pre-Accession Economic Program (2001-2002) and in the government Program for Effective Integration into EU internal market (2003) - adopted by the Slovenian government to promote and support enterprise development and competitiveness.

Because of the quantitative and strategic importance of SMEs both in the European and Slovenian economy, the following analysis is going to reflect above all their current conditions and future opportunities.

2. Slovenian economy in the “European enlargement perspective”

Slovenia’s structural reforms addressed all vital segments of the economy: price liberalization, the introduction of new organizational forms of enterprises, promotion of competition, privatization and restructuring of enterprises, reforms of the financial sector, liberalization of foreign trade and foreign ownership, legal ratification of property rights, etc etc. Tough reforms have progressed steadily across sectors. The liberalization of foreign trade and prices was already well underway by 1991, as was the privatization of small

firms¹. Other reforms began later and with slower progress. The legal process for the privatization of large state enterprises began in 1992 with the law on Corporate Ownership transformation, and started in earnest in 1994. At about the same time, reforms of the banking system and of other financial institutions began. Private enterprise and ownership are promoted and protected in Slovenia, both by statute and the Constitution (Ref. *“Do Market Pressures Induce Economic Efficiency? The Case of Slovenian Manufacturing”, 1994-2001*)

As for pace and conditions of the reform process, many intellectuals consider Slovenia as a prime example of the gradualist approach to transition. Unlike in some other Central and Eastern European countries where the main impulse for the breakdown of the socialist regime came from the outside, the transition in Slovenia was endogenous and more gradual. In the period 1993-2001, thanks to its steady progress, Slovenia has achieved one of the highest average economic growth rates among the transition economies of the new EU countries (second only to Poland).

Tab n.1 Real Economic growth in
Current EU Accession Countries, 1993-2001

<i>Country</i>	<i>Average real growth rate</i>	<i>Standard deviation</i>
Poland	4.8	1.8
Slovenia	4.3	0.9
Slovakia	4.2	3.2
Estonia	3.9	5.4
Latvia	3.8	7.1
Hungary	3.5	2.0
Czech Rep.	2.2	2.4
Lithuania	1.9	8.2

Source: International Monetary Found

Also, gauging from a projection on East European Acceding Countries' economic convergence and the time required to reach the EU average per capita income, Slovenia upholds the best position. Slovenian convergence will require 13 years against 30 years for Poland, 24 for Hungary and 18 for the Czech Republic².

In its 2002 Regular Report, the Commission concluded that *“Slovenia is a functioning market economy. The continuation of its current reform path should enable Slovenia to cope with competitive pressure and market forces in the Union”*. The country, in fact, has made good progress in the adoption and implementation of the *acquis communautaire*, as well as in the development of the institutions necessary for its implementation (World Bank 2000) and its economy has shown considerable resilience to EU business cycles.

¹ Some agricultural activities and many services have been in the private sector prior to independence. This and other factors have led to the faster completion of small scale privatization

² Ref: David Bartlett - Global Economics Company. University of Minnesota. Power Point document, 2004.

Recent statistical data confirms that Slovenia's level of development is relatively quickly catching up with that of the EU. In 2002, it achieved 69% of the EU average GDP per capita (with respect to the purchasing power), ranking immediately after Portugal and Greece (71%)³. Among the countries in transition Slovenia is in first place, followed by the Czech Republic (62%).

Tab n.2 GDP per head 2002 EU 15=100

EU25	Slovenia	CZrep	Estonia	Latvia	Lithuania	Hungary	Malta	Poland	<i>Slovakia</i>
91	69	62	40	35	39	53	69	41	47

Source: Eurostat "New Release, 2002"

Slovenia's economic structure is gradually approaching that of the advanced industrialised economies, as the importance of agriculture and industry diminishes and the role of services is growing⁴. Among the latter the share of private as well of public services is growing, but business and financial services are still well behind the advanced economies. Slovenia's exports and imports of goods and services each account for about 50% of GDP. In a short period of time, Slovenia managed to overcome the loss of markets in the former Yugoslavia and the breakdown of transport and communications to South East Europe. Trade flows were redirected towards the European Union and other associated partners after independence, which now account for over two-thirds of Slovenia's trade.

However, pre-transition trade links have not disappeared. Croatia has remained Slovenia's third largest trading partner, and trade with other countries in central Europe have been expanding.

Tab n.3 Main partners of Slovenia Trade flows. 2001

Values in %			
<i>Export</i>	<i>% of tot.</i>	<i>Import</i>	<i>% of tot.</i>
<i>Total value in dollar</i>	<i>(mill) 2.428</i>	<i>Total value in dollar</i>	<i>(mill) 1.949</i>
Germany	26,3	Germany	19,3
Italy	12,7	Italy	17,8
Croatia	8,7	France	10,5
Austria	7,6	Austria	8,4
France	6,8	Croatia	4,0
Hungary	1,7	Hungary	3,1

Source: ICE, Ljubljana

As for the labour market, employment and unemployment rates show that in comparative terms unemployment is not a huge problem in Slovenia in this

³ Source: "Statistical Portrait of Slovenia in the EU"

⁴ The main industries include manufacturing of food and beverages, electronics, electrical machinery, metal processing, metallurgy and motor vehicles. The agricultural sector is dominated by dairy farming and stock breeding.

moment, and compared to the other “transitional” countries Slovenia employees have been quite well paid during the last decade⁵. While the hourly labour cost in 2000 was about 4.21 euro, in Slovenia it was 8.98 euro.

Selected economic indicators

Economic data	1998	1999	2000	2001
Exchange domestic currency/ \$ USA	166,13	181,77	222,682	242,75
GDP -current prize (\$ mil.)	19.585	20.072	18.122	18.705
Annual variation of GDP (%)	3,8	5,2	4,6	3,0
GDP Composition %				
Agriculture	4,2	3,7	3,3	3,2
Industry	38,5	38,3	38,3	40,6
Services	57,3	58,0	58,4	56,2
Industrial production (% Variation)	3,7	-0,6	6,2	3,0
GDP per capita - current prices (\$ mil)	9.878	10.109	9.105	9.390
Inflation rate (%)	7,9	6,1	8,9	8,4
National debt/GDP (%)	32,6	35,5	36,8	36,4
GDP destination (%)				
Private consumptions	55,7	55,8	54,9	53,9
Public consumptions	20,3	20,2	20,8	21,0
Investments	24,6	27,4	26,7	25,1
Total external debt (\$ mil.)	4.915	5.400	6.217	6.717
% of GDP	25,1	26,9	34,3	35,9
Goods export- current prices (\$ mil)	9.091	8.623	8.808	9.342
% of GDP	46,4	43	48,6	49,9
Goods import-current prices (\$ mil)	9.880	9.868	9.947	9.964
% of GDP	50,4	49,2	54,9	53,3

Source: Ice Lubjiana

3. The role of SMEs in competitive development.

Small and medium-sized enterprises are a key source of new jobs, innovation, economic dynamism and greater social inclusion in the European Union. They are the key players in the so-called Lisbon strategy, which sets the long-term goal of making the European Union the most dynamic and competitive knowledge based economy in the world by 2010. One of the targets within this strategy is the aim of moving towards full employment. This goal can only be achieved if there are dynamic and growing businesses to create new jobs and drive innovation. Since 2001, the Commission has stepped up a dialogue with candidate countries in order to help them to improve the environment in which enterprises start up, operate and grow, and to align their enterprise with those of the EU. This dialogue has gone beyond the formal obligation to adopt

⁵ Source: EUROSAT “News Release”, December 2002.

the *acquis communautaire* (the body of EU legislation) and helped include the candidate countries in the European socio-economic strategy. The most important step during this process was the adoption on 23 April 2002 in Maribor (Slovenia), of the *European Charter for Small Enterprises* by all the thirteen candidate countries.

Taking into account European guidelines implementation, the Slovenian Government has defined and streamlined its 2001-2006 Strategy for Economic Development, giving more importance to SMEs development.

Also in Slovenia, today, the vast majority of enterprises are SMEs⁶.

Tab n 4 Enterprises: Sectors and Sizes. 2001

	<i>Slovenia</i>	<i>EU-15</i>	<i>ACC</i>
Industry and services (all size units)	71.472	13.447.079	2.476.463
<i>Micro</i>	91%	90.6%	93.4%
<i>Small and medium</i>	...	9.2%	6.4%
<i>Large</i>	...	0.2%	0.3%
Industry and construction	26.302	3.656.464	729.755
<i>Micro</i>	87.3%	84%	88.7%
<i>Small and medium</i>	...	15.5%	10.7%
<i>Large</i>	...	0.5%	0.6%
Services	45.170	9.790.615	1.746.708
<i>Micro</i>	93.2%	93%	95.3%
<i>Small and medium</i>	5.9%	6.9%	4.6%
<i>Large</i>	...	0.1%	0.1%

Source: "SMEs in Europe. Candidate Countries. European Commission-Eurostat, 2001"

In the second part of the nineties, and compared to other candidate countries, Slovenian enterprise creation rate slowed down, indicating difficult competitive conditions. SMEs' financial results are rather disappointing: only 36.8 % of Slovene micro and small companies operate with profits and 44.17 % of them show a negative result⁷. Although some available⁸ data shows small and medium manufacturing enterprises with proportionally more innovation activity in Slovenia than in any other candidate countries (there was a fairly wide range in innovation propensities, rising from 13.7% of all manufacturing enterprises in Latvia to 31,9% in Slovenia), the main obstacles to steady development remain the lack of incentives, the lack of entrepreneurial motivation and knowledge in marketing, the lack of business skills, and inadequate access to relevant information, research projects and technologies.

⁶ Slovenia displayed a clear propensity for employment to be concentrated in micro and small enterprises. For further detailed information "SMEs in Europe. Candidate countries. European Commission- Eurostat, 2001"

⁷ Data reported in EU Commission "Report on the candidate countries measures to promote entrepreneurship competitiveness", 2001.

⁸ A statistical survey in this field is still in the process of being set-up.

Many efforts, however, have been made in the area of access to finance sources, as well as in the area of R&D and administrative procedures. Some of them are very promising and innovative, others could be considered the best practices adopted till now.

3.1 Administrative incentives.

3.1a Removal of administrative barriers

In 2003 Slovenian legislation in the field of the public administration has mostly been modernised and is currently in the process of implementation.

As regards economic development, the key problem of the Slovenian administration is the long-term processing of certain administrative procedures.

In the period from 2001-2003 a number of regulatory, informational and other projects for a solution were carried out but there is still much to do in this field. Application forms for all administrative procedures were made uniform; since 2002 the exchange of data from official records has been defined as a burden of public administrative authorities and not the users of administrative services; electronic filing of claims for certain administrative services has been introduced, as the paying of administrative charges and other costs with debit and credit cards (from February 2003); the state portal E-government has been established (March 2001).

With the adoption of a specific programme, the "*Anti Bureaucratic Programme -1999*" and with the assistance of a Government Commission for the abolishment of the administrative barriers, which is an inter ministerial co-ordination body, the government is carrying on the elimination of all administrative, organisational and technical barriers which hamper the speed of enterprise development.

In order to reduce the time necessary for registering a company and the costs involved in establishing and operating companies, the government has prepared amendments to legislative and regulatory decrees. The amendments address, one by one, problems in the field of: tax legislation - the Act Amending the Value Added Tax was adopted and regulatory decrees representing barriers to entrepreneurship - as regards personal and supplementary work, road transport, agriculture, registration of a proprietary business. In 2002 two new laws were adopted in order to simplify and reduce procedures for obtaining land and permits (a single planning and building permit). They are the spatial Planning Act and the Construction Act.

Regarding the recommendations of the European Union on improving and simplifying the conditions for carrying out entrepreneurial activities, the

establishment of the **VEM system (ONE STOP SHOP)** is essential to reduce current costs (time and money) upon start-up, and later when companies are running. VEM is composed of info, support and communication points. Info and support points are either being established or in the phase of final activity (the Ministry of the Economy is covering them entirely by its programme of work). The objective of the project of setting up the VEM system is to simplify and speed up the procedures for setting up new small companies, entering them in the register and recording the changes of status through the central contact bodies that would be exclusively authorised for carrying out the procedures of establishing the companies.

Because of their kind of organization, the Small Business Development Centre, the Local Business Centre and above all the Chamber of Commerce and Industry of Slovenia have a vital role in the project. At the moment, the VEM project is still in the establishment phase, whereby progress has been made but it cannot yet be compared to the best practices in the European Union.

3.1b Improving the impact of support services

In Slovenia, business-related information is dispersed and not sufficiently relevant. The Internet based approach should be widely used. Along with the traditional networks of Chamber of Commerce and Industry and Chamber of Crafts, the former Ministry of Small Business started to develop the Small Business Support Network on the basis of the Small Business Development Act of 1991. The concept of the network has since evolved into the idea of an integrated network, providing both for SMEs development and broader local and regional economic development.

The network of institutions providing business services covers the entire territory of Slovenia. It includes five operating Regional Developmental Agencies (Gorenjska, Zasavje, Pomurje, Posavje and Celje), seven emerging Regional Development Centres (Koper, Nova Gorica, Novo Mesto, Maribor, Spodnje Podravje, Koroška and Notranjska) and the Entrepreneurship Centre of Ljubljana. Two technology centres operate in Ljubljana and Maribor and 34 local development centres have the objective of preparing and realising joint developmental programmes in regions with functionally common interests.

Public institutions promote several *promotional activities* such as the publication of the "Informator magazine", featuring up-to-date articles on entrepreneurial activities in Slovenia. The Chamber of Commerce and Industry and the Chamber of Craft offer information to entrepreneurs and craftsmen in their respective magazines "Glas gospodarstva" and "Obrtnik". Within the Chamber of Commerce and Industry, specific associations offer information to entrepreneurs: the Association of Entrepreneurs of Slovenia and the Association of Small Businesses, 13 regional chambers, the business-

information point INFOLINK provide information to more than 1,000 entrepreneurs monthly. The Export guide for SMEs issued by the Chamber of Commerce and Industry is also useful.

In the 1990s the first initiatives for organising a *voucher model* for subsidised consulting services and training were carried out. A project was then adopted for the promotion of the set up of new businesses, including support in the form of consulting services through the voucher system. In the start-up stage a potentially interesting entrepreneur is included in the system of consulting support and obtains the first vouchers. He/she is invited to define a business plan, guided by consultants, in order to reach agreement on financing the business. Entrepreneurs with good ideas register their businesses with the assistance of their consultants. The consultants monitor the business intensively in the first year of operations and assist existing companies until their third year. The programme is carried out by the Small Business Development Centre⁹ in conjunction with subcontractors based in regional and local entrepreneurship centres. Programme partners are also the Chamber of Commerce and Industry, the Chamber of Craft and Agriculture.

In the area of electronic business, the Electronic Signature Act was adopted (June, 2000) This, together with other acts governing the electronic exchange of data, provides the basis for electronic business (for further more information see "E-commerce and e-signature Act, 2000).

Among the actions adopted by government to improve the impact of support services, the European Commission has signalled the "*cluster development programme*" as a best practice. It promotes enterprise networking and co-operation in product development, technology improvements, joint marketing and specialisation in value chains.

3.2 Financial measures

3.2a Incentives for research and innovation

Slovenia's share of expenditure relating to investment in research and development in 2002 amounted to 1.6 % of GDP. It was a quite good level especially compared to other European countries like Italy, Spain and Portugal, each with a percentage of 1,1%, 1% and 0,9% of GDP¹⁰. No special assistance plans or tax incentives exist for the promotion of research and development conducted by small and medium-sized enterprises. Barriers to innovation include rigid views on the operation of the economy (both in the

⁹ The SBDC was established by the Government of Slovenia in 1992 with the aim of coordinating the Small Business Support Network and the entrepreneurship promotion programme.

¹⁰ Source "Statistical Portrait of Slovenia in EU"

private and public sectors), restricted state support for innovation, the requirement by banks and venture capital funds for high returns on investment and the time needed for spreading information and for adjusting users to new conditions and instruments.

The Ministry of the Economy has recently merged the areas of economic and technological development, providing: finance to support technological development and innovation in pre-competition R&D projects of companies; strengthening the R&D cores in companies and co-financing projects in technological centres and parks.

The set of measures aimed at promoting **new technologies** includes:

a *regional plan of public assistance* for the founding of a new operating unit, the expansion of an existing one and the commencement of substantially new activity in existing companies; *Technology parks* with experience in the formulation of solutions and data on the inclusion of companies, as well as in the dissemination of technologically-oriented developmental guidelines for small businesses (currently there are three parks in Slovenia, which are organised rather differently).

The *Small business innovation network* (SBIN), a new initiative, will link together all the Regional Development Agencies, Regional and Local Business Centres. It will enhance the creation of regional innovation centres in the whole country. Each of these centres will train specialists for efficient and quality advice and other services on the field of innovation activities and intellectual property. Special attention will be paid to involving young people in innovation related activities.

3.2b Access to funding. Some alternative measures

In Slovenia one of the main problems obstructing the access of companies to funding is the poorly developed financial and capital markets: the main sources of early-stage financing are the savings of entrepreneurs, family and friends and later on bank loans. This is associated with related problems, such as expensive funds, restrictions on taking out loans abroad, the non existence of some forms of financing of companies and a shortage of other forms of financing. Commercial bank loans suffer from shortcomings: high interest rates, high collateral demanded by banks, extensive documentation demanded, etc, etc.

The small business development fund was established by the State for the purpose of promoting and developing small business units. It allocates specific forms of assistance and support including loans, co- investment, investment in and financing of the construction of promotion centres, and free entrepreneurial and trade zones. It gives guarantees for investment loans by banks and other financial organisations, subsidies of real interest rates for

investment credits, and premiums for the founding and development of small businesses.

Municipal Authorities sponsor the development of small businesses and crafts. The funds are mainly intended for the start-up and expansion of activities performed by sole traders and small businesses, which invest and operate at the municipal level. Credits are provided via local banks, which also provide credit insurance. Interest rate subsidies are the most popular form of municipal support for the development of small businesses. The subsidy is carried out in the following way: institutions deposit their funds at the bank, relinquish the 1 % interest rate on the fixed deposit with the effect of reducing the credit interest rate, or they carry out the subsidy directly.

Other interesting tools are **Microcredits**. They have been met with a very positive response in the local environment. They are intended primarily for financing the start-up of companies and for creating new jobs. The basic principle is as follows: credits are approved on the basis of a deposit amounting to 50 % of the total amount of credit for which the company has applied. Microcredits approved through five regional developmental agencies have created 548 new jobs.

SME development centre Goriska established in 1992, is a good example. It unifies the financial resources of five municipalities. Loans are allocated to the entrepreneurs directly (without bank intermediation), which enables greater flexibility in supporting start-up entrepreneurs, self-employed persons and enterprises carrying-out ecologically and technologically acceptable projects. The reimbursement of the loan is gradual, thus creating the potential for financing new loans.

In the ten existing **regional guarantee schemes**, the state and local communities provide public funds. Companies and other organisations also provide their contribution. The funds are intended as guarantees for companies that take out bank loans. Via these guarantee plans companies are provided with the opportunity to partly insure their liabilities to the bank. The guarantee plans insure credits using faster procedures and lower costs for company owners, merging the dispersed funds contributed by the state, local communities and companies and reducing the degree of guarantee risk and hedging risk by distributing it among several partners. The plans are carried out in Regional agencies in Zagorje.

4. State aids and EU directives

Over the period of the past three years there have been great efforts on the part of the European Commission to modernise its competition rules, make procedures more efficient, increase their transparency and hence facilitate their application. Along this policy trend there is the state aid control.

In the area of State aid control, one of the chief objectives of modernisation is the reorientation of State aid from sectoral to horizontal objectives, the latter including the promotion of SMEs. This objective was first endorsed by the Lisbon European Council in March 2000, reinforced at the Stockholm European Council in March 2001 and most recently at the Barcelona European Council in March 2002.

Within the framework of the economic policy the State distributes its national income at macro-economic level, but also at micro-economic level. i.e. in favour of selected companies or groups of companies. Such allocations cause market distortions by favouring the recipients of such aid and are as such strictly limited in the European legislation. The European legal framework on state aid, in fact, favours the interest of the UE and its single market over the interest of the national member states economies.

In 2000 Slovenia met UE obligations by adopting the State Aid Control Act and by setting up an institution for ex-ante and ex-post control of state aid allocation.

State aid in Slovenia are granted from budget *sources* with the use of various instruments: direct (e.g. grants, soft loans) or indirect (through reduced revenues for the central government or local authority budget).

The actual situation as it is showed in following table on State Aid distribution among different kinds of instruments, seems to be oriented to ease social tension in ailing large enterprises and to cover regular operating costs. Less attention is paid to development-oriented activities and an appropriate regional policy.

Tab n.4 State aids in Slovenia in 2001 by instruments. Values in SIT
(currency 1 euro= 229 sit)

<i>categories</i>	<i>budget</i>	<i>taxes and social security</i>	<i>financial transfers by state participation</i>	<i>soft loans from public or private sources</i>	<i>various measures</i>	<i>guarantees</i>	<i>total</i>
Agriculture and fisheries	44,534.61	963.26	0.00	535.80	1.78	49.72	46,612.15
Horizontal objectives (a)	8,689.31	8,669.34	0.00	1,623.10	3.66	33.05	19,018.47
Particular sector (b)	8,969.31	0.00	0.00	0.00	0.00	0.00	8,969.31
Regional aid	1,777.72	606.03	1.17	214.24	0.00	133.99	2,733.15
total	64,047.93	10,238.63	1.17	2,373.15	5.44	216.76	76,883.08

a) R&D, environmental protection, restructuring, SMEs, employment, training, energy saving

b) Steel, transport, coal mining

Source: "Fifth survey on state aid in Slovenia" - June 2003

On the contrary, the forthcoming harmonization of the area of State Aid to European rules will require a thorough transformation of the existing micro-economic policy. It should turn from meeting its short-term goals of economic development, i.e. to increase the Slovenia economy's competitiveness by means of horizontal measures or to solve the acute problems of restructuring its large-sized companies selectively through the regional development criteria.

During the accession period Slovenia also has counted on the EU's structural assistance¹¹. A large part of structural assistance is directly linked to state aid. The most direct link is that between structural assistance from the EU Regional fund and the national regional aid.

As a new member state, Slovenia will benefit from the Structural Funds¹² that will be one of the most important sources for enterprise support programmes over the years to come. However, it is largely up to the countries themselves to prioritise and choose the areas on which they want to spend the Structural Funds available to them. Structural funds will be implemented in a decentralised way through intermediaries in the respective country, so the European Commission does not deal with any direct applications. To ensure

¹¹ The most important funding has been provided through the so called PHARE programme, for assisting the candidate countries of Central and Eastern Europe in their preparations for accession; ISPA for transport and environment and SAPARD for agriculture.

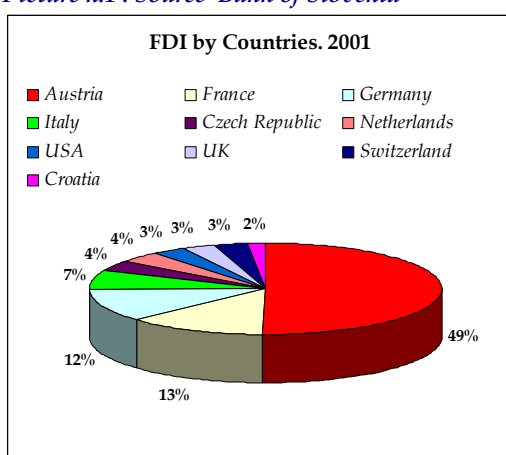
¹² It is estimated that the ten new Member States will benefit from €21,9 billion from 2004 – 2006 (on average about €7,3 billion a year).

an appropriate transition to structural funds, PHARE project implementation will continue into the first years after accession.

5. Establishing business in Slovenia: incentives for FDI

Due to Slovenia's integration into EU, more emphasis is also given to an active policy towards FDI. FDI is a strong factor in the Slovenian economy's integration into the EU internal market and it is also the most important mechanism for exploiting the dynamic advantages of economic integration.

Picture n.1 : Source Bank of Slovenia



A large number of measures have been adopted to improve the investment climate both for domestic and foreign enterprises

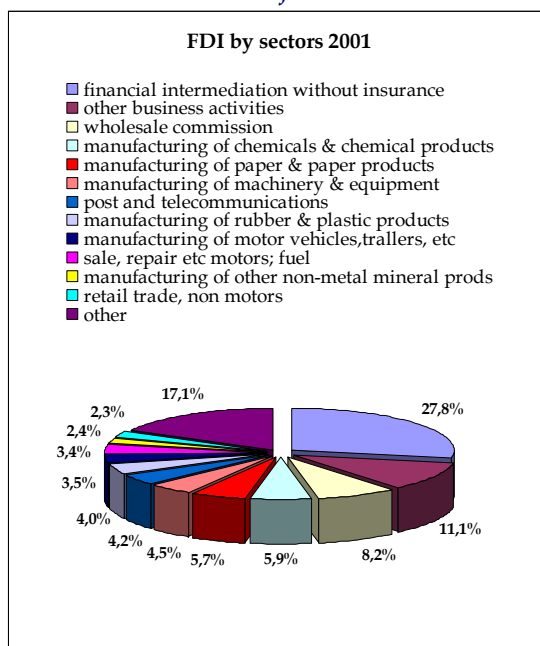
The *Trade and Investment Promotion Office (TIPO)* a national institution established in 1995, operates under the auspices of the Ministry of Economy activities for the implementation of various promotion activities: free information and advice for FDI and support activities for domestic companies marketing.

Its recent activities have aimed at increasing the accessibility of industrial land, introducing employment incentives that are accessible to foreign investors, increasing the amount of free-of-charge TIPO services for foreign investors, and improving the image of Slovenia as an FDI location

In 2001 the Government of Slovenia started a *new FDI Promotion Programme*. It has two specific goals. First, it aims to make the most of Slovenia's comparative advantages, specifically: 1) geographical location in the heart of Europe with good communication and transport infrastructure; 2) relatively well-developed and technologically advanced industry; 3) well-educated labour force; 4) the relative openness of its economy; and 5) political and economic stability. The second goal is to overcome the main weaknesses of Slovenia's current policies related to FDI, as reported by foreign-owned companies in a TIPO survey. The weaknesses most identified were the Government's passivity in promoting FDI, the inaccessibility of building sites for conducting business activities, the lack of financial incentives for Greenfield investors, and the low mobility of the labour force.

Any company registered in Slovenia is granted the status of a Slovenian legal entity under which they enjoy national treatment. Foreign investors are subject to the same legal treatment as domestic companies and enjoy the same rights and obligations. All citizens and enterprises of the European Union or the U.S. have the same purchase rights and rights of use of land and natural resources as citizens and resident enterprises of Slovenia. The principles of commercial enterprise, free operation, and national treatment apply to the operations of foreign companies as well. Their basic rights are guaranteed by the Law on Commercial Companies and the Law on Foreign Transactions. The registration process is simple and usually takes between three weeks and one month to complete. Generally, the bureaucratic procedures and practices are sufficiently streamlined and transparent for the foreign investor wishing to start a business in Slovenia (Ref "ICE Ljubljana"). While the law provides for these rights, some foreign companies have experienced unexplainable delays in obtaining land even after all the necessary paperwork is in order.

Picture n. 2 Source Bank of Slovenia



All sectors are open to foreign investors but there are some restrictions in the fields of military pension and health insurance. In recent years foreign investors' attention has shifted from labour intensive processing sectors to financial intermediation but interesting opportunities are emerging in telecommunications, energetic, banks, transports and infrastructures. In term of incentives, companies with foreign direct investments in Slovenia may be eligible for financial assistance in the form of grants from TIPO.

Incentives will be provided to projects that create at least 100 new jobs. This requirement is reduced to 50 new jobs in less developed areas and to 10 new jobs in the field of R&D. The Government also provides free training and retraining employment grants to employers who intend to hire unemployed persons by local employment offices through Slovenia.

Municipalities may offer different forms of incentives, which may be negotiated on a case-by-case basis. These incentives may include, but are not limited to, easy access to industrial sites, utility connections and local tax holidays.

Among the several fiscal incentives provided by the Slovenian Government: corporate income tax (at 25% and one of the lower in the Europe); investment allowance (up to 40% of the amount invested in tangible fixed assets) is deductible from the investor's taxable income; reduction for investment in equipment and R&D (from 25% 10%); employers reimbursement of the contributions for compulsory insurance schemes carried out by the Employment Services of Slovenia.

Conclusion

As the economically most advanced EU accession country, Slovenia has undergone three parallel processes in the relatively short time since independence, all of them complementing and reinforcing each other: the transition from a socialist system to a viable market economy; the transition from a region within SFR Yugoslavia to a sovereign national state, and accession to the European Union as a powerful political and economic force for regional integration. Certainly EU accession has proved to be the most suitable strategic option for achieving economic growth and stability but an undoubted role, even if less visible and direct, has been played by administrative institutions. The good performances fulfilled by real growth rates in the last years, the openness to foreign trade, the FDI promotion programmes, the measures for a cheaper and faster start up of SMEs and other several fiscal and financial incentives and facilities carried on by Government would be considered as the results of several other changes in PA structure and organization. The aim of this article was not to focus analysis on changes in services managements, civil servants' skills or thinking about their civic mission. Nevertheless they could be one of the keys to a proper understanding of past events as well as the effects of the institutional and political environment (internal features) and the EU influence (external features) on economic development.

The following SWOT analysis is only an initial contribution based principally on the suggestions collected from official documents, articles, programmes and web sites.

<i>Strengths/Opportunities</i>	<i>Weakness/Threats</i>
- Privatization and restructuring enterprise	- Delay in price liberalization
- Liberalization of foreign trade	- Lagging behind advantaged economies in business and financial services
- Stable economic growth	- Slow restructuring process in strengthening technology intensive industries
- De- bureaucratization of PA	- Administrative barriers
- Introduction of One Stop Shop system	- Poorly developed financial and capital market
- Promotional activities	- Restrictions on the taking out of loans
- Incentives for R&D	- Limitation of state aids
- Technology parks	- Less development oriented public investments
- Additional financial funds for SME development	- Loss of competitiveness
- Programmes for development of e-services	
- EU structural assistance for regional investments	